

Message Text

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PAGE 01 SAIGON 04671 100617Z

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ACTION SS-25

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TO SECSTATE WASHDC 5073
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SAIGON 4671

EXDIS

E.O. 11652: XGDS-1
TAGS: PFOR EAID JN VS
SUBJ: GOJ POSTPONING IMPLEMENTATION OF GRANT LOAN TO SVN

REF: TOKYO 4424; STATE 77220; TOKYO 4506; TOKYO 4571

1. DRAWING ON REFTELS, MINECON DISCUSSED GOJ AID TO RVN WITH JAPANESE CHARGE' IN SAIGON, KOJI WATANABE, ON APRIL 9. WATANABE NOTED THE PROMPTNESS AND MAGNITUDE OF THE JAPANESE RESPONSE TO THE GVN REQUEST FOR IMMEDIATE REFUGEE ASSISTANCE. HE INTIMATED THAT THIS RESPONSE WAS IN PART MEANT TO COMPENSATE FOR GOJ'S INABILITY TO RESPOND TO AN INITIAL REQUEST FROM THE GVN FOR TRANSPORTATION ASSISTANCE BECAUSE OF PROBLEMS WITH THE SEAFARERS UNIONS IN JAPAN.

2. CONCERNING THE SEVEN BILLION YEN GRANT AID, WATANABE WAS UNAWARE THAT GRANT AID AGREEMENT WOULD BE SIGNED ON APRIL 14. HE EXPRESSED SOME AMAZEMENT THAT THE GVN HAD NOT MADE AN URGENT REQUEST TO GOJ FOR THIS GRANT AID WHICH IN WATANABE'S VIEW IS READY TO GO AS SOON AS THE GVN PRESSES THE ISSUE. HE HAS TRIED TO PROD GVN MINISTRY OF SOCIAL WELFARE ON THIS POINT BY SUGGESTING THEY MODIFY COMMODITY COMPOSITION SLIGHTLY TO ACCORD WITH RECENT NEW REQUIREMENTS. TO DATE NO RESPONSE HAS BEEN RECEIVED FROM THE GVN.

3. WATANABE WENT TO SOME LENGTH TO EXPLAIN BUREAUCRATIC FACTORS IN TOKYO SURROUNDING THE 9 BILLION YEN LOAN POSTPONEMENT. THE
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EXCHANGE OF NOTES ON MARCH 28 CAME ABOUT ONLY AFTER A CABINET

DECISION FAVORING THE DIPLOMATIC ARGUMENT OVER THE ARGUEMENTS OF THOSE WHOM WATANABE CHARACTERIZED AS THE BANKERS (OECF) WHO ARE PRIMARILY CONCERNED WITH THE PROSPECTS FOR REPAYMENT OF THE LOAN. IN WATANABE'S VIEW, THE SIGNING WOULD HAVE BEEN AUTOMATIC HAD NOT THE GVN FINANCE MINISTER CANCELLED HIS VISIT TO TOKYO FOR SIGNING THE AGREEMENT. WHEN COUPLED WITH THE NEWS FROM DANANG, DOWNGRADING GVN REPRESENTATION WAS ALL THAT WAS NEEDED TO UPSET THE DELICATE BUREAUCRATIC BALANCE IN TOKYO THAT HAD EARLIER FAVORED THE GVN.

4. ALTHOUGH PROVIDING A DETAILED EXPLANATION AND MAKING CLEAR THAT GOJ EMB SAIGON HAD NOT RECOMMENDED AGAINST THE LOAN, WATANABE SAID NOTHING TO DISPEL THE IMPRESSION THAT GOJ IS WAITING FOR THE SITUATION IN SVN TO SETTLE BEFORE PROCEEDING WIT THE LOAN. WATANABE ARGUED THAT THE EXCHANGE OF NOTES REPRESENTS A COMMITMENT AND THAT THE ACTUAL SIGNING IS MORE A TECHNICALITY WHICH DEPENDS NOW ON GETTING THE BANKERS BACK IN LINE. WATANABE THOUGHT MIYAZAWA'S TRIP TO WASHINGTON COULD TIP THE BALANCE IN THE RIGHT DIRECTION. WATANABE ALSO INDICATED THAT HE NEEDED SOME MORE DATA FROM THE GVN CONCERNING THE MAGNITUDE AND TIMING OF THE FERTILIZER REQUIREMENT IN ORDER TO PRESENT A FIRM, SUBSTANTIVE JUSTIFICATION FOR THE LOAN ON ECONOMIC GROUNDS. WATAOABE ALSO RAISED THE POSSIBILITY, WHICH HE TERMED ONLY A LAST RESORT, THAT GOJ WOULD PROCEED ONLY WITH THE FERTILIZER PORTION OF THE LOAN AT THIS TIME.

5. MINECON WILL TAKE UP MATTER OF GVN RESPONSE WITH THE GVN MINISTRIES HERE. REQUEST WASHINGTON EMPHASIZE IMPORTANCE OF CONTINUING JAPANESE AID TO RVN, WHICH SHOULD NOT BE AFFECTED BY RECENT EVENTS, IN MIYAZAWA'S TALKS WITH THE SECRETARY. GOJ CAN BE ASSURED THAT COMMODITY LOANS TO THE GVN WILL DO NOTHING TO DAMAGE THE PROSPECTS FOR PEACE IN INDOCHINA.
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